

2019 Malaysia Budget Summary

A) Tax Amnesty (Special Voluntary Disclosure Program (SVDP))

As commented in the Malaysia 2019 budget, tax payers are allowed to make voluntary disclosure to the Malaysia Inland Revenue Board (MIRB) for the year of assessment (Y/A) 2017 and preceding years for:

- a) income omitted during the relevant period under the Income tax Act 1967(ITA)
- b) failure to submit the relevant year tax return forms under ITA,
- c) failure to submit the relevant tax form and report real property gains under the Real Property Gains Tax Act 1976, or/
- d) failure to declare stamp duty on instrument of transfers under the Stamp Duty Act 1949 (SDA).

Omitted Income

Generally, the MIRB has clarified that any of the tax payer (including a corporate entity) who has registered a file previously with them or a newly registered taxpayer who now wish to declare the omitted income will be assured that MIRB will accept in good faith all the voluntary disclosure and no further review shall be conducted, upon the tax payer agreeing to sign the letter of full disclosure of income till Y/A 2017.

The omitted income will be taxed at the normal tax rate of the relevant year or if the income cannot be identified to a particular year, the tax payer can choose the year he wishes to declare.

Only a 10% penalty will be imposed on the additional tax assessed of the relevant Y/A based on the amount of the income omitted, if the tax payer declare it to the MIRB between 03/11/2018 and 31/03/2019 and at 15% for the period between 01/04/2019 and 30/06/2019.

Thereafter, the additional tax of each Y/A must be settled together with the relevant penalty, either by 31/03/2019 or 30/06/2019 on the applicable rate of 10% or 15% respectively.

Post SVDP period (after 30/06/2019)

MIRB will impose the following penalties post SVDP:

- a) failure to submit the tax return of each Y/A on time post SVDP , a rate of between 80% to 300%,
- b) as for the omission of income or reporting incorrect income a rate of between 80% to 100%, or/
- c) in accordance with rates under Sub section 47A(1) of the SDA.

Tax Reform

One of the 13 scheduled tax reforms to be effected by the MIRB is to scrutinise and investigate tax payers having unexplained and extraordinary wealth. Such a measure will increase voluntary disclosure during the amnesty period as previously mentioned.

B) Carry forward business losses (BL) limited to 7 years.

Beginning from Y/A 2019 and thereafter each current BL carried forward can be utilised for 7 consecutive years (eg for unabsorbed loss incurred in Y/A 2019 allowed to c/f till 2026) and the balance unabsorbed must be disregarded.

For unabsorbed cumulative BL carried forward from Y/A 2018, the amount unabsorbed will be allowed to be utilised until 2025. The balance unabsorbed must be disregarded.

C) Unabsorbed Reinvestment Allowance (RA), Investment Allowance for Service Sector (IASS) & Pioneer Status (PS) restricted to 7 years.

Unabsorbed RA, IASS & PS are restricted to 7 years **after the expiry** of the variable qualifying period (QP)

- RA QP of 15 + 7 additional years, thereafter the balance is disregarded.
- IASS QP of 5 + 7 additional years, thereafter the balance is disregarded.
- PS QP of 5 or 10 +7 additional years, thereafter the balance is disregarded.

D) Reduction of tax rate for Small and Medium size companies including Limited Liability Partnership for Y/A 2019.

At first RM500000 of chargeable income the tax rate will be 17% (2018 :18%) and every RM exceeding that is at 24%,

E) Claw back of ITA (Investment Tax Allowance)

Claw back of ITA if the asset is disposed within 5 years of acquisition (previously within 2 years).

F) Revision of rate of Real Property (RP) Gains Tax (RPGT) for all category of tax payers after the 5th year from the acquisition date on the transfer of properties and RP Companies shares with effect from 1st January 2019.

For the company, on the 6th and subsequent years the rate is revised from 5% to 10%,

For the resident individual, on the 6th and subsequent years the rate is revised from nil to 5%

For the non-resident and non-citizen, on the 6th and subsequent years the rate is revised from 5% to 10%.

All RPGT rates for all category of tax payers will remained the same as previously for disposal of properties and RP companies shares within 5 years of the acquisition date.

G) Limitation of Group Relief

Transfer of losses only applies to new startup companies.

Restriction of claiming of losses to 3 consecutive years, starting:

a) immediately after the 1st basis period (which must be a complete 12 months) in operation, or

b) immediately after the 2st basis period (which must be a complete 12 months), if 1st basis period is other than 12 months.

No group relief can be claimed if the company has carry forward ITA or PS losses.

Transitional provisions allowed for current losses of the company which

i) commences operation in Y/A 2015 to claim group relief for Y/A 2019

ii) commences operation in Y/A 2016 to claim group relief for Y/A 2019 & 2020

iii) commences operation in Y/A 2017 to claim group relief for Y/A 2019 to 2021